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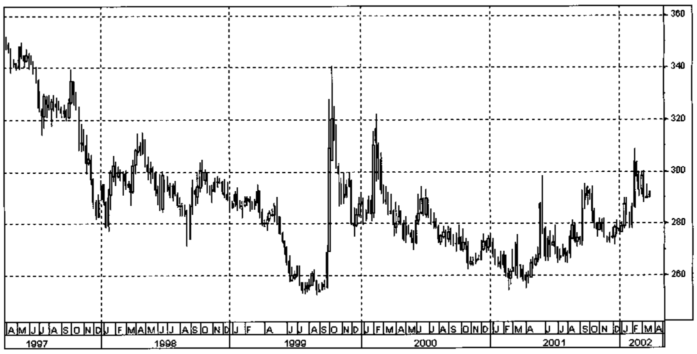
Global Strategy and Investment Trends by David Fuller **http://www.fullermoney.com**

Is gold a long-term win win for investors?

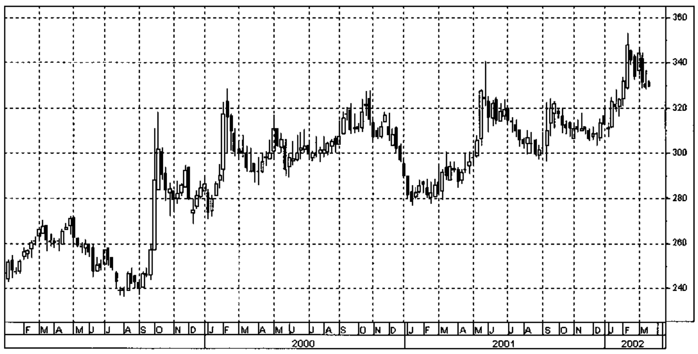
Probably, although we may have to be patient. Also, we should assume that the market for gold bullion, its sister precious metals, the shares and derivatives will be quite volatile from time to time. Weekly charts for gold in dollars, euros and yen show very large base formations, which have been completed against the latter two currencies. However, consolidations of this year's earlier gains are underway in all three instances. Gold had strengthened because it is still regarded by many people as a safe haven in times of uncertainty. Accordingly, Japanese investors are reported to have been among the biggest buyers of bullion over the last year, and open interest for gold futures has soared on the Tokyo Commodity Exchange (TOCOM). Uncertainty will obviously wax and wane, and it is no coincidence that gold's recent correction has coincided with increased optimism over prospects for economic recovery. Consequently, a synchronised global economic expansion and rising short-term interest rates would probably be neutral at best and possibly negative for gold, despite an accompanying increase in demand for jewellery, at least until investors became concerned about inflation. Conversely, deflation would favour gold because of concern over debt and the negative implications for equities. Interest in gold among US and UK investment managers and the public has certainly increased this year and a sustained move over $300 would convert more people to the bullish hypothesis, especially if the somewhat overvalued dollar sagged. I'm told that, "gold is not even on the radar screen" for Swiss and other European investors, perhaps because the gnomes of Zurich remained bullish for far too long after the 1980 gold bubble burst. However their interest in precious metals will be rekindled if/when the price resumes its recovery, whatever the reason. Sceptics will quote Paul Volker's famous "barbarous relic" comment of more than two decades ago, and say gold has been demonetised and is now just another commodity. Certainly central banks have attempted to demonetise gold and could squash a recovery by increasing sales from their reserves, but why should they when the Dow/Gold ratio at 36 is near its all-time high and reversion to the historic mean for over a hundred years would lower this to 5? *I'll include the ratio chart in FM214.* I maintain that gold will always have a monetary value because it is unique, pretty, virtually indestructible and in limited supply. In comparison, the history of fiat currencies has not been entirely happy. Gold is currently very cheap relative to most financial assets and property, and long-term cyclical recoveries for any low-priced market tend to be much stronger than people initially expect. I believe the price of gold could easily double or triple over the next 5 to 10 years.

Best regards - David Fuller

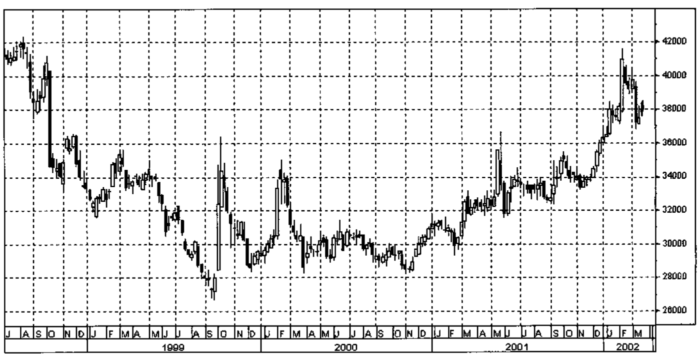
Gold Bullion in Dollars: $293 (Weekly)



Gold Bullion in Euro: E331.8 (Weekly)



Gold Bullion in Yen: ¥38560 (Weekly)



Charts supplied by Bloomberg.

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